SEVERN SOUND ENVIRONMENTAL ASSOCIATION

FINANCIAL STATEMENTS

DECEMBER 31, 2023

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

INDEX TO FINANCIAL STATEMENTS

	Page
Management's Responsibility for the Financial Statements	1
Independent Auditors' Report	2 - 3
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus (Deficit)	5
Statement of Change in Net Financial Assets (Debt)	6
Statement of Cash Flow	7
Notes to the Financial Statements	8

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2023

Management's Responsibility for the Financial Statements

The management of Severn Sound Environmental Association (the "Association") is responsible for the integrity, objectivity and accuracy of the financial information presented in the accompanying financial statements.

The financial statements have been prepared in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada ("CPA"). A summary of the significant accounting policies is described in Note 1 to the financial statements.

The Association's management maintains a system of internal controls designed to provide a reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The Board meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to the approval of the financial statements.

The financial statements have been audited by Pahapill and Associates Professional Corporation, independent external auditors appointed by the Township of Tay. The accompanying Independent Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Association's financial statements.

Julie Cayley
Executive Director

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INDEPENDENT AUDITOR'S REPORT

To the Board Members of Severn Sound Environmental Association:

Opinion
We have audited the financial statements of Severn Sound Environmental Association, which comprise the statement of financial position as at December 31, 2023, and the statements of operations, the change in its net financial assets (debt) and its cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Severn Sound Environmental Association as at December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter
We draw attention to Note 2 in the financial statements, which describes the effects of Canadian public sector accounting standards adopted by the Association. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Association's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Pahapill and Associates

Huntsville, Ontario
July 2, 2025

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by
The Chartered Professional Accountants of Ontario

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023

	2023	2022
FINANCIAL ASSETS		
Cash and cash equivalents	$ 2	$ 2
Accounts receivable, no allowance	146,495	102,043
Due from related parties (Note 3)	1,067,338	832,278
	1,213,835	**934,323**
LIABILITIES		
Accounts payable and accrued liabilities	145,347	118,787
Deferred revenue (Note 4)	202,901	94,905
Employee future benefits (Note 5)	79,700	67,500
Asset retirement obligations (Note 6)	38,000	-
	465,948	**281,192**
NET FINANCIAL ASSETS (DEBT)	**747,887**	**653,131**
NON-FINANCIAL ASSETS		
Tangible capital assets - net (Note 7)	269,380	213,332
Prepaid expenses	4,277	3,636
	273,657	**216,968**
ACCUMULATED SURPLUS (NOTE 8)	**$ 1,021,544**	**$ 870,099**

Approved by:

Director

Director

The accompanying notes are an integral part of these financial statements

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (Note 11)	Actual 2023	Actual 2022
REVENUE			
Municipal contributions	$ 1,143,212	$ 1,088,929	$ 1,021,085
Lake Simcoe Region Conservation Authority	82,181	75,731	89,164
Province of Ontario grants	43,750	90,175	13,900
Projects and recoveries	58,500	59,763	50,389
Community and private donations	39,324	92,895	119,907
Tree distribution, net	25,000	47,334	6,767
Federal grants	5,000	8,590	7,197
Interest earned	4,000	35,457	11,355
TOTAL REVENUE	**1,400,967**	**1,498,874**	**1,319,764**
EXPENSES			
Salaries and wages	883,498	770,120	756,904
Benefits	239,038	219,230	139,875
Materials and office	127,143	161,184	92,584
Contracted services	62,459	102,668	61,751
Rent and financial	75,029	74,038	92,976
Amortization	20,189	20,189	18,652
TOTAL EXPENSES	**1,407,356**	**1,347,429**	**1,162,742**
ANNUAL SURPLUS (DEFICIT)	**(6,389)**	**151,445**	**157,022**
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**870,099**	**870,099**	**713,077**
ACCUMULATED SURPLUS, END OF YEAR	**$ 863,710**	**$ 1,021,544**	**$ 870,099**

The accompanying notes are an integral part of these financial statements

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)

FOR THE YEAR ENDED DECEMBER 31, 2023

	Budget 2023 (Note 11)	Actual 2023	Actual 2022
Annual surplus (deficit)	$ (6,389)	$ 151,445	$ 157,022
Acquisition of tangible capital assets	(76,237)	(76,237)	(3,618)
Amortization of tangible capital assets	20,189	20,189	18,652
Use of prepaid expenses	-	(641)	(469)
Increase (decrease) in net financial assets	(62,437)	94,756	171,587
Net financial assets (debt), beginning of year	653,131	653,131	481,544
Net financial assets (debt), end of year	**$ 590,694**	**$ 747,887**	**$ 653,131**

The accompanying notes are an integral part of these financial statements

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
Operating transactions		
Annual surplus (deficit)	$ 151,445	$ 157,022
Non-cash charges to operations:		
Amortization	20,189	18,652
Employee future benefits	12,200	(32,300)
	183,834	143,374
Changes in non-cash assets and liabilities:		
Accounts receivable	(44,452)	(34,583)
Accounts payable and accrued liabilities	26,560	61,582
Deferred revenue	107,996	44,267
Due to/from related parties	(235,060)	(201,219)
Prepaid expenses	(641)	(469)
	(145,597)	(130,422)
Cash provided by operating transactions	38,237	12,952
Capital transactions		
Acquisition of tangible capital assets	(76,237)	(3,618)
Cash applied to capital transactions	(76,237)	(3,618)
Increase (decrease) in long-term debt	38,000	(9,334)
Cash applied to financing transactions	38,000	(9,334)
Cash and cash equivalents, beginning of year	**2**	**2**
Cash and cash equivalents, end of year	**$ 2**	**$ 2**

The accompanying notes are an integral part of these financial statements

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

Severn Sound Environmental Association (the "Association") is a water management agency established in 2009 by a letter agreement among local Municipalities, Environment Canada and the Ontario Ministry of the Environment.

The local Municipalities are the Town of Midland, Town of Penetanguishene, Township of Tay, Township of Tiny, Township of Oro-Medonte, Township of Severn, Township of Georgian Bay, and the Township of Springwater.

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association are prepared by management in accordance with public sector accounting standards for local governments as recommended in the Public Sector Accounting Board "PSAB" of the Chartered Professional Accountants Canada. Significant aspects of the accounting policies adopted by the Association are as follows:

Basis of Accounting

(i) Accrual basis of accounting
Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue; expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

(ii) Non-financial assets
Non-financial assets are not available to discharge existing liabilities but are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets
Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Tangible capital assets received as donations are recorded at their fair value at the date of receipt. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Equipment - 4 to 10 years
Wells - 35 years
Vehicles - 10 years

Annual amortization is not charged in the year of acquisition.

(b) Pension agreements:
The Association is an employer member of the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer, defined benefit pension plan. The Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of the benefits. The Association has adopted defined contribution plan accounting principles for this Plan because insufficient information is available to apply defined benefit plan accounting principles. As such, the Association's contributions due during the year are expensed as incurred.

(c) Employee future benefits:
Vacation entitlements are accrued for as entitlements are earned. Sick leave benefits are accrued when they are vested and subject to pay out when an employee leaves the Association. Non-vesting sick leave benefits are accrued and subject to pay out if employees chose to top up their salary under the short-term sick leave plans.

(i) Asset retirement obligations

A liability for asset retirement obligation (ARO) is recognized when, as at the financial reporting date:

- there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- the past transaction or event giving rise to the liability has occurred;
- it is expected that future economic benefits will be given up; and
- a reasonable estimate of the amount can be made.

The liability for the wells to be decommissioned that are owned by the Association has been initially recognized using the prospective method. The liability has been measured at current cost as the timing and amounts of future cash flows cannot be estimated. The resulting costs are capitalized as part of the carrying amount of the related tangible capital assets if the asset is recognized and in productive use. This liability is subsequently reviewed at each financial statement date and adjusted for any revisions to the timing or amount required to settle the obligation. The changes in the liability for the passage of time are recorded as accretion expenses in the Statement of Operations and all other changes are adjusted to the tangible capital asset (Note 1(ii)(a)). If the related tangible capital asset is unrecognized or no longer in productive use, the asset retirement costs are expensed.

Recoveries related to tangible capital asset retirement obligations are recognized when the recovery can be appropriately measured, a reasonable estimate of the amount can be made and it is expected that future economic benefits will be obtained. A recovery is recognized on a gross basis from the asset retirement obligations liability.

(iii) Revenue recognition

Conditional grant revenue is recognized to the extent the conditions imposed on it have been fulfilled. Unconditional grant revenue is recognized when funding is receivable.

All revenue other than government transfers and interest revenue, is recognized when received.

Interest revenue is recorded when earned.

(iv) Government Transfers

Government transfers, which include entitlements and legislative grants, are recognized as revenue in the financial statements when the transfers is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Government transfers consist of grants and subsidies for various operating and capital programs.

(v) Deferred Revenue

Deferred revenue represents funds which have been applied for and collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(vi) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The principal estimates used in the preparation of these financial statements are the useful lives of tangible capital assets and the allowance for doubtful accounts. Actual results could differ from management's best estimates as additional information becomes available in the future.

In addition, the Association's implementation of the Public Sector Accounting Handbook PS 3150 has required management to make estimate of historical cost and useful lives of tangible capital assets.

(vii) Collections

Collections, including works of art and historical treasurers, are not capitalized in the statement of financial position. Purchases of collection items are expensed in the year in which the items are acquired. Contributions of collection items are reported as revenue and expense at their fair value. When fair value cannot be determined, the contribution is recognized at nominal value.

2. CHANGE IN ACCOUNTING POLICIES

On January 1, 2023 the Association adopted Public Accounting Standards PS 1201 Financial Statement Presentation, PS 2601 Foreign Currency Translation, PS 3041 Portfolio Investments, PS 3280 Asset Retirement Obligations, and PS 3450 Financial Instruments. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions. Other than PS 3280 Asset Retirement Obligation changes below, these standards have no significant impact on the presentation of the financial statements.

PS 3280 Asset Retirement Obligations

The Association has adopted PS 3280 Asset Retirement Obligations as of January 1, 2023. This new standard address the recognition, measurement, presentation and disclosure of legal obligations associated with the retirement of certain tangible capital assets such as asbestos removal in buildings that will undergo major renovations or demolition in the future (Note 6). This standard was adopted using the prospective approach.

The Association recognized an asset retirement obligation relating to several owned wells to be decommissioned. The liability has been measured at current cost as the timing and amounts of future cash flows cannot be estimated. The associated costs have been reported as an increase to the carrying value of the associated tangible capital assets. Accumulated amortization will be recorded over the remaining useful live of the related asset. This accounting change increased the tangible capital assets and asset retirement obligations as of January 1, 2023 by $37,219.

3. DUE FROM RELATED PARTIES

The Association received $1,088,929 (2022 $1,021,085) in Municipal contributions from related parties.

The Treasurer Municipality (Township of Tay, effective Jan 1, 2018) collects receivables and remits payments to vendors on behalf of the SSEA throughout the calendar year. As such, the balance due from related parties as at December 31, 2023 of $1,067,338 from the Township of Tay (2022 $832,278) represents the remaining operating funds held by the Treasurer municipality once all financial assets and liabilities are settled.

Amounts due to/from related parties consists of $22,600 due from participating municipalities which is included in accounts receivable, and $30,162 due to participating municipalities, which is included in accounts payable at December 31, 2023.

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product or service.

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

4. DEFERRED REVENUE

The 2023 continuity of transactions within general deferred revenue are described below:

	Balance beginning of year	Contributions received	Amounts taken into revenue	Balance end of year
Grants	$ 25,000	$ 20,522	$ (15,272)	$ 30,250
Tree distribution	22,814	190,452	(164,378)	48,888
Honey Harbour survey	6,323	4,967	(11,290)	-
Inland Lakes	3,706	14,576	(15,835)	2,447
RMO project	10,776	48,283	(59,059)	-
Other projects	26,286	259,551	(164,521)	121,316
	$ 94,905	**$ 538,351**	**$ (430,355)**	**$ 202,901**

5. EMPLOYEE FUTURE BENEFITS

An actuarial estimate of future liabilities has been completed using the most recent actuarial valuation in October 2023 and forms the basis for the estimated liability reported in these financial statements.

The following table sets out the continuity of the accrued benefit obligation.

	2023	2022
Accrued health and dental benefit liability	$ 79,700	$ 67,500
	$ 79,700	**$ 67,500**

Information about the accumulated sick leave entitlements and accrued health and dental benefit liabilities are as follows:

	2023	2022
Accumulated benefit obligation, beginning of year	$ 67,500	$ 99,800
Add: Benefit/service cost	5,900	11,000
Add: Interest	4,700	5,100
Less: Amortization of actuarial gains	3,800	8,100
Less: Benefit contributions	(2,200)	(8,800)
Less: Plan amendment	-	(47,700)
	$ 79,700	**$ 67,500**

The significant actuarial assumptions adopted in measuring the Association's accrued benefit obligations are as follows:

	2023	2022
Discount rate	4.60 %	4.60 %
Salary escalation	3.00 %	3.00 %
Dental premium rates	6.15% for 2022 reducing by 0.15% in each year to an ultimate rate of 4.50%	
Health premium care rates	7.23% for 2022 reducing by 0.13% in each year to an ultimate rate of 4.50%	

SEVERN SOUND ENVIRONMENTAL ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2023

6. ASSET RETIREMENT OBLIGATIONS

Legal liabilities exist for the wells that exist in the assets of Severn Sound Environmental that will require decommissioning in the future. A reasonable estimate of the fair value of the obligation has been recognized using the prospective approach as at January 1, 2023. The obligation has been measured at current cost as the timing of future cash flows cannot be reasonably determined. These costs have been capitalized as part of the assets' carrying value and are amortized over the assets' estimated remaining useful lifes, which is expected between 2041 and 2052.

Changes in the asset retirement obligations during the year are as follows:

	2023	2022
Opening balance	$ -	$ -
Adjustment on adoption of PS 3280 (Note 2)	37,219	-
Accretion expense	781	-
Less: settlement of obligations	-	-
	$ 38,000	**$ -**

7. TANGIBLE CAPITAL ASSETS

The following table provides information on the tangible capital assets of the Association by major asset class.

	Machinery Equipment and Furniture	Wells	Vehicles	TOTAL 2023	TOTAL 2022
COST					
Balance, beginning of year	$ 162,320	$ 169,123	$ 25,409	$ 356,852	$ 353,234
Additions and betterments	39,018	37,219	-	76,237	3,618
BALANCE, END OF YEAR	201,338	206,342	25,409	433,089	356,852
ACCUMULATED AMORTIZATION					
Balance, beginning of year	122,186	16,252	5,082	143,520	124,868
Annual amortization	10,692	6,956	2,541	20,189	18,652
BALANCE, END OF YEAR	132,878	23,208	7,623	163,709	143,520
TANGIBLE CAPITAL ASSETS-NET	$ 68,460	$ 183,134	$ 17,786	$ 269,380	$ 213,332

8. ACCUMULATED SURPLUS

The Association's accumulated surplus balance is comprised of the following:

	2023	2022
Invested in tangible capital assets (Note 7)	$ 269,380	$ 213,332
Reserves and reserve funds	471,063	409,487
Unrestricted surplus (deficit)	398,801	314,780
Amounts to be recovered in future years	(79,700)	(67,500)
Asset retirement obligations (Note 6)	(38,000)	-
	$ 1,021,544	**$ 870,099**

9. PENSION AGREEMENTS

The Association makes contributions to the Ontario Municipal Employees Retirement System ("OMERS"), which is a multi-employer pension plan, on behalf of full time members of staff. The plan is a contributory defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Each year an independent actuary determines the funding status of OMERS Primary Pension Plan (the Plan) by comparing the actuarial value of invested assets to the estimated present value of all pension benefits that members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2023. The results of this valuation disclosed total actuarial liabilities of $134,574 million with respect to benefits accrued for service with actuarial assets at that date of $130,372 million indicating an actuarial deficit of $4,202 million. Because OMERS is a multi employer plan, any Plan surpluses or deficits are a joint responsibility of Ontario municipal organizations and their employees. As a result, the Association does not recognize any share of the Plan surplus or deficit.

The amount contributed to OMERS for the current year was $69,269 (2022 $49,474) for current service and is included as an expense on the Statement of Operations.

10. GOVERNMENT TRANSFERS

Government transfers include monetary transfers based on cost-sharing agreements between the levels of government. Specific funds are also transferred when the Association provides evidence that the qualifying expenditures have been incurred. The Association also receives government transfers once certain criteria have been met or with the stipulation that the funds are used for specific projects or expenses (entitlements with stipulations). Any transfers received where the transfer stipulations have not been met by year-end are recorded as deferred revenue.

The amount of funding provided to the Association for each project is subject to final review and approval by these government organizations. As at the date of these financial statements, funding for the ongoing projects have not been subject to this review process. Any future adjustments required as a result of this review will be accounted for at that time.

11. BUDGET FIGURES

The unaudited budget adopted for the current year was prepared on a fund basis, and has been amended to conform with the accounting and reporting standards adopted for the current year actual results.